COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF TOLL AND ACCESS CHARGE PRICING AND TOLL SETTLEMENT AGREEMENTS FOR TELEPHONE UTILITIES PURSUANT TO CHANGES TO BE EFFECTIVE JANUARY 1, 1984	)))))	CASE NO. 8838 PHASE III

O R D E R

This phase of the case was initiated by Order dated May 1, 1985, in which those parties desiring to file testimony relative to a Busy Hour Minutes of Capacity ("BHMC") modification to the Universal Local Access Service Tariff ("ULAS") were directed to do so by August 1, 1985. After Commission approval of various requests for extensions of time, testimony was received from US Sprint on September 30, 1985, and from MCI on October 15, 1985. On December 6, 1985, both AT&T and the Commission directed requests for additional information to MCI and US Sprint. MCI's responses were filed on December 18, 1985, Allnet's on December 20, 1985, and US Sprint's on January 9, 1986. On January 23, 1986, a hearing was held. All briefs were filed by February 18, 1986. SCB filed a response to these briefs on February 24, 1986.

The ULAS tariff is intended to recover a portion of intrastate interLATA revenue requirement associated with nontraffic sensitive plant through flat rates. At the present time, this is being done by estimating each interLATA carrier's potential use of the local loop by developing ratios based on the number of interLATA voice equivalent channels that can access the local loop. These ratios are then used to determine each carrier's portion of the ULAS revenue requirement.

The position of MCI and US Sprint is that the ULAS tariff discriminates against smaller carriers since it does not accurately reflect a carrier's potential use of the network. The basis for this claim is that large trunk groups are more efficient, and therefore capable of handling more minutes of use per channel than a smaller trunk group at the same grade of service. If capacity is viewed as maximum probable usage at a specified level of blocking, it is clear that BHMCs more accurately predict channel capacity than do the absolute number of channels. Since the interexchange carriers ("IXCs") can order switched and special access on a BHMC basis, at first glance it appears to be both an equitable and feasible modification to the ULAS tariff. However, those channels ordered in switched and special access are not the same as the interLATA channels counted in ULAS. The evidence in this case indicates that none of the IXCs maintain records on a BHMC basis for interLATA channels, and therefore would require additional administrative expenses.

Although it is clear that BHMCs more accurately predict channel capacity, it has not been demonstrated that AT&T realizes more BHMCs per channel than Allnet, MCI, and US Sprint, much less whether any difference warrants the additional administrative expenses involved. It is obvious that AT&T's trunk groups on heavy traffic routes are larger than their competitors'. However, the size of a trunk group is not the only factor in estimating trunk group capacity, since the acceptable grade of service, or blocking level, has a significant impact as well. At a lower grade of service, trunk group capacity is greater, if all other factors remain constant. At the present time, only AT&T has a regulated grade of service requirement. In addition, AT&T's "carrier of last resort" responsibilities imply that it might have several small, inefficient routes which other carriers are not required to serve. The combination of grade of service requirements and "carrier of last resort" responsibilities may offset the efficiencies of AT&T's larger trunk groups on heavy traffic routes.

In the May 1, 1985, Order the Commission charged those parties supporting the BHMC modification with the obligation of providing clear evidence that the BHMC concept would provide a fairer assessment of charges among carriers and to demonstrate that these benefits would offset the additional administrative costs involved. The Commission finds that neither of these conditions has been met. However, Allnet, MCI, and US Sprint have demonstrated that a straight channel count does not necessarily reflect a carrier's capacity to use the local loop and that some interim relief is necessary to advance the Commission's objective in authorizing competition in the interLATA market.

In its original Order in this case the Commission did not apply the 55 percent discount[1] to ULAS payments for feature group "A" access. The Commission indicated its belief that equal access would occur before the ULAS revenue requirement became significant to the IXCs. The Commission is no longer convinced that this will occur. SCB is the only LEC that will complete its equal access conversion this year and even then a substantial number of access lines will await future construction for equal access conversion. General will commence its conversion to equal access during the latter part of 1986 while the Independent Telephone Group still does not have a schedule for equal access. Thus, there is not a one-to-one relationship between conversion to feature group "D" or equal access and the changing ULAS revenue requirement.

There was considerable discussion during the proceeding concerning whether the 55 percent discount should be given for inferior access. AT&T's witness, L.G. Sather, reiterated AT&T's opposition to any discount granted to Allnet, MCI, and US Sprint. However, AT&T did indicate that the application of discounts to ULAS payments was preferable to the ULAS charge based on BHMC. Allnet, MCI, and US Sprint have indicated in a number of instances their position that the 55 percent discount should apply to all charges until equal access is generally available throughout the state.

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1 A 55 percent discount was applied to the CCLC for IXCs using feature group "A" interconnections.

The Commission in its original consideration of the discount did not have available the schedule for equal access conversions throughout the Commonwealth. The Commission is no longer convinced that the conversion to equal access will mirror the increases in the ULAS revenue requirements. Further, the Commission is still convinced that concerns with the quality differences between feature groups "A" and "C" justify the 55 percent discount granted in its Order of 1984. Therefore, the Commission finds that a 55 percent discount in ULAS payments for feature group "A" access is appropriate. This discount shall be applied to the ULAS interLATA channels in the same proportion as feature group "A" access as ordered under applicable access services tariffs. Discounts will not apply if feature group "D" access is available.

IT IS THEREFORE ORDERED that:

1. A BHMC modification to the ULAS tariff, as proposed in this phase of the case, be denied.

2. A 55 percent discount for feature group "A" access shall apply as described in this Order.

Done at Frankfort, Kentucky, this 22nd day of January, 1987.

PUBLIC SERVICE COMMISSION

Richard D. Heman Jr.
Chairman

Vice Chairman

Commissioner

ATTEST:

Executive Director